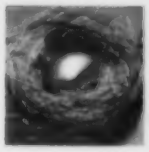
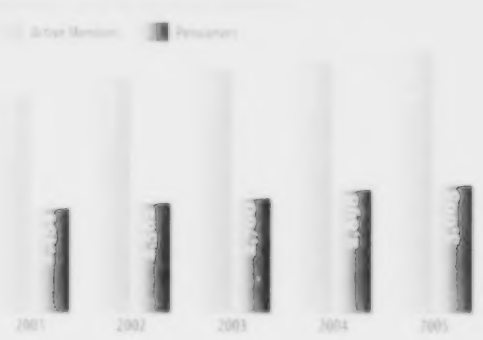
UNIVERSITIES ACADEMIC PENSION PLAN

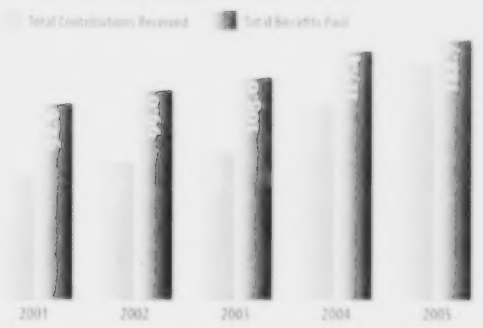
2005 ANNUAL REPORT



UAPP

PLAN HIGHLIGHTS

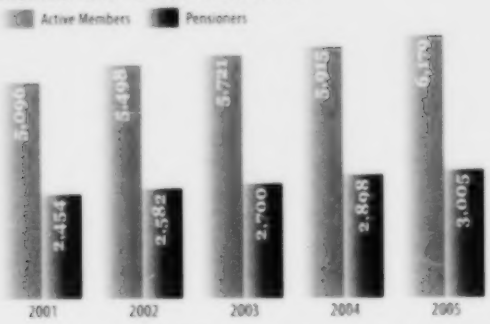




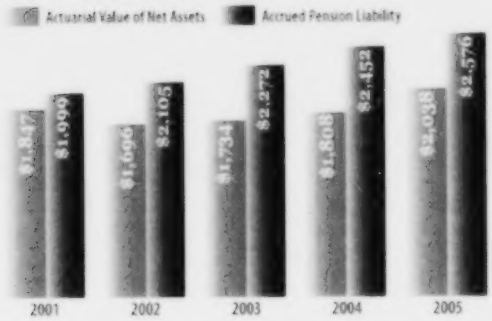
	2004
Net investments	$ 1,867
Net receivable	9
Net assets	1,901
Actuarial adjustment for fluctuation in fair value of net assets	(93)
Actuarial value of net assets	1,808
Actuarial deficiency	644
Accrued pension liability	$ 2,452

PLAN HIGHLIGHTS

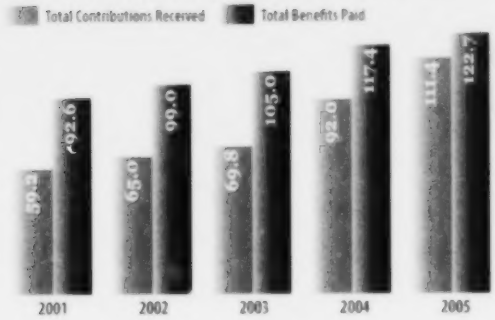
Member and Pensioner Statistics



Assets and Liabilities ($ millions)



Contributions Received and Benefits Paid ($ millions)



Assets and Liabilities Summary ($ millions)

As at December 31

	2005	2004
Net investments	$ 2,152	$ 1,895
Net receivable	10	9
Net assets	2,162	1,904
Actuarial adjustment for fluctuation in fair value of net assets	(124)	(96)
Actuarial value of net assets	2,038	1,808
Actuarial deficiency	538	644
Accrued pension liability	$ 2,576	$ 2,452

PROFILE

The Universities Academic Pension Plan (UAPP) was established in 1978 as a defined benefit pension plan for members of the academic and professional staff of Alberta universities and The Banff Centre for Continuing Education. The UAPP was set up under the Public Sector Pension Plans Act (Alberta) and the Provincial Treasurer was the trustee until December 31, 2000.

The UAPP became an independent pension plan registered under the Employment Pension Plans Act (Alberta) and the Income Tax Act (Canada) as of January 1, 2001. The UAPP is now established under the Sponsorship and Trust Agreement signed by the academic staff associations and the boards of governors of four Alberta universities and The Banff Centre for Continuing Education as Sponsors.

- The Board of Trustees, as established under the Sponsorship and Trust Agreement, became the trustee of the UAPP as of January 1, 2001.
- The UAPP has approximately 6,200 active members, 900 deferred (including held-on-deposit accounts) members and 3,000 pensioners.
- The UAPP Fund's market value at the end of 2005 was $2,162 million.

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GOVERNANCE OF THE PLAN

BOARD COMPOSITION

The Board of Trustees (Board) of the Universities Academic Pension Plan oversees the Plan. The Board is composed of four employer trustees, four employee trustees and one employer representative. The offices of Chair and Vice-Chair alternate every two years between employer and employee trustees.

BOARD MANDATE

The Board is responsible for administration of the UAPP, investment of UAPP funds, setting contribution rates required to fund the UAPP and assisting Sponsors in developing appropriate changes to the UAPP. In carrying out its mandate, the Board is assisted by a small management team.

MISSION

It is the mission of the Board to deliver on its mandate in a manner that is consistent with:

- high quality services to the UAPP and members,
- prudent investment of the Fund,
- stable contribution rates,
- best practices in pension plan governance and management, and
- all applicable rules, laws and regulations.

VALUES

In carrying out its mission, the Board is guided by the following values:

- work in full partnership with Sponsors,
- be member/stakeholder focused,
- be open, accountable and responsible for its actions,
- conduct UAPP business with trust, fairness and integrity,
- adhere to the highest ethical standards,
- value and treat its employees as a vital resource, and
- learn, adapt and change to do UAPP business better.

ADMINISTRATION SERVICES PROVIDER

ACS HR Solutions

MEMBER PENSION INQUIRIES

1-866-709-2092

PENSIONER PAYROLL

CIBC Mellon Global Securities Services Company

PENSIONER PAYROLL INQUIRIES

CIBC Mellon Pension Benefits Department
PO Box 5858, Station B
London ON N6A 6H2
1-800-565-0479
www.CIBCMellon.com

INVESTMENT MANAGEMENT

Alberta Investment Management, the investment operations group of Alberta Finance

ASSET CONSULTANTS

Aon Consulting Inc.

ACTUARY

Mercer Human Resource Consulting

AUDITOR

KPMG LLP

Standing: Eric Wang, Phyllis Clark, Mazi Shirvani, Keith Winter, Dan Furgason, David Burnett, Virendra Gupta
Seated: Ted Horbulyk, Nancy Walker
Missing: Art Nutt

BOARD OF TRUSTEES – 2005

EMPLOYER APPOINTEES

David Burnett, CA
Athabasca University

Bill Grace, FCA / Phyllis Clark, BA, MA
University of Alberta

Nancy Walker, MBA, CA (Vice-Chair)
University of Lethbridge

Keith Winter, PhD
University of Calgary

REPRESENTATIVE

Art Nutt, CGA
The Banff Centre for Continuing Education

EMPLOYEE APPOINTEES

Daniel Furgason, BSc
University of Lethbridge

Ted Horbulyk, PhD (Chair)
University of Calgary

Mazi Shirvani, PhD
University of Alberta

Zengxiang (Eric) Wang, PhD
Athabasca University

EXECUTIVE DIRECTOR

Virendra Gupta, MASc, CFA

COMMITTEES OF THE BOARD

AUDIT COMMITTEE

David Burnett
Auke Elzinga, FCA
Bill Halford, FCA
Nancy Walker, Chair

INVESTMENT COMMITTEE

Ron Bercov
Dan Furgason, Chair
Bob Hager, retired Chair of Phillips Hager North, Vancouver
Bob Normand, President & CEO of ATB Financial, Edmonton
Keith Winter

A MESSAGE FROM THE CHAIR

The central purpose in preparing Annual Reports such as this is to provide participants, sponsors and stakeholders with comprehensive information about the Plan, its financial status, progress and performance. Of necessity, much of this information is presented in considerable technical detail. The objective of our pension communications is to engage our members and to increase their personal awareness of what the UAPP provides by way of benefits so that they can assess how the UAPP fits into their careers and financial plans. Members' information needs are also addressed quite comprehensively by a wide variety of communication materials available from our website. I would encourage all persons interested in the UAPP to review this Report and other communications materials, and provide feedback.

The year 2005 marks the third year in a row of double-digit investment performance returns for the UAPP Fund. The Fund's 14.4% return in 2005 was better than expected and the Fund's net asset value has grown to $2,162 million at the end of 2005 from $1,542 million at the end of 2002. In real terms (not including inflation), the compound annual return over the last eight years was 4.6%.

As a rule, it is more expensive to fund a defined benefit pension plan like the UAPP in times of low interest rates. Thus, even though the Fund's investments have performed remarkably well, both in absolute and relative terms, times remain challenging because estimates of the Plan's liability will remain high as long bond yields remain at historically low levels. The low interest rates cause the estimated present value of the liability for service already accrued and for future service to increase, offsetting the gains from the strong investment performance.

The Board of Trustees (Board) has continued to examine the possibilities for improving the Plan's returns in relation to increases in its liabilities. Investments in so-called "Alternative Investment Classes" are considered to be a good match for the Plan's liabilities as they provide a high current yield and capital appreciation over time. The Board, on the recommendation of its Investment Committee, this year committed another 2.5% of the Fund to the Private Income Investment Classes, including Timberland assets. This will increase the UAPP's long-term allocation to Alternative Classes to 10% of the total Fund.

After considering the administrative changes proposed previously by the Board, the Plan Sponsors approved the changes in mid-2005. These changes will help streamline administration of prior service and allow more effective communication of pension options at retirement by eliminating outmoded options.

To further the Board's goal of providing quality information services to members, a web-based, password-protected Retirement Planner was made available to Plan members in 2005. The Retirement Planner provides a comprehensive tool for retirement income planning. Members can estimate their UAPP pension based on their actual data in the system. In addition, the Planner allows members to estimate, based on certain assumptions, what income they may expect from their current and future RRSP and other savings, including maximum CPP and OAS pension. We hope that members will use the Planner as a tool in their retirement planning.

In addition to an annually revised Member Handbook, updated Information Sheets on special pension topics and the Plan's Annual Report, we continue to publish Communiques quarterly to update members on developments in the UAPP and in pensions more broadly. We are pleased that members are using our website, www.uapp.ca, in increasing numbers. We have redesigned the site to make it more user-friendly and easier to update.

We continue to work with ACS HR Solutions (ACS) (formerly known as Mellon Human Resources & Investor Solutions), the UAPP's administration services provider, to strengthen and improve the automated pension benefits administration system. In addition to issuing the Retirement Planner, an actuarial valuation of the Plan (as at December 2004) was completed in 2005 and the new actuarial standards for calculating the commuted value were implemented in early 2005. Now that the basic system is in place, the Board will be working with employers and ACS to enhance and make better use of the system's capabilities.

In order to promote greater understanding of the Plan, the Board will continue to provide Plan Sponsors and others with information on the Plan's benefit structure, related liabilities and potential risks. The Board remains committed to working with the Plan Sponsors on issues related to the unfunded liability for pre-1992 service and the design of UAPP pension benefits.

The Board will continue to monitor developments in the field of pensions and provide input and comments directly or through association with other interested groups to governments and other authorities on proposals to change pension benefit, funding or other regulations.

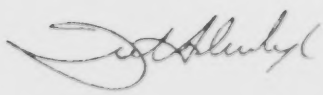
On behalf of the UAPP, I would like to thank Keith Winter and David Burnett, both of whom left the Board at the end of 2005. Keith provided distinguished service to the Board for eight years including two terms as Chair. David, during his four years on the Board, made many valuable contributions to the work of the Board. I would also like to thank Bill Grace for the two years he served on the Board.

Ron Bercov, Bob Hager and Bob Normand, as external members on the Investment Committee, and Auke Elzinga and Bill Halford, external members on the Audit Committee, have given generously of their time to the UAPP over the years and I thank them.

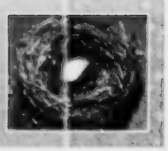
We highly value our relationship with Alberta Investment Management (AIM) because they are central to the implementation of the Board's Statement of Investment Policies and Goals. Douglas Stratton and David Finstad of AIM deserve a note of thanks for their cooperation and assistance in making the relationship work well.

As my term as Chair ends, I want to thank my colleagues on the Board for their service and personal support and guidance. I would like to welcome and extend my best wishes to Nancy Walker as the new Chair of the Board.

The UAPP relies on a small team to carry out its mandate. It is my great pleasure to thank our Executive Director, Virendra Gupta, and the rest of the UAPP team for their hard work and excellent service.



Ted Horbulyk
Chair, Board of Trustees



MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Trustees (Board) remains focused on keeping the Plan on a sound financial footing and providing quality pension services to Plan members. To achieve this, the Board:

1. maintains a diversified investment portfolio that, over the long term, is expected to meet or exceed the 4.0% real rate of return used by the actuary to calculate the Plan's liability;
2. adjusts contribution rates in order to keep the Plan on a sound financial track and to abide by the funding requirements of the Employment Pension Plans Act; and
3. works with employers and service providers to provide quality pension administration services and communicate effectively with Plan members.

FINANCIAL POSITION OF THE PLAN

VALUE OF PLAN ASSETS

The market value of the Plan's net assets grew to $2,162 million from $1,904 million at the end of 2004. This reflects a return of 14.4% in 2005, following the returns of 11.7% in 2004 and 15.0% in 2003. The actuarial value of the Fund grew to $2,038 million in 2005 from $1,808 million at the end of 2004. The actuarial value of the Fund is used to determine the contributions required under the Plan because the actuarial value represents a "smoothed" value of the assets and is expected to be less volatile than the market value. This feature of the actuarial value of assets helps reduce the volatility that will otherwise be reflected in the contribution rates required to fund the Plan. In better-than-expected capital markets, the market value of assets will tend to be higher, and in poorer-than-expected markets, the opposite will tend to happen. The Plan uses an averaging method as described in Note 2(c) on page 24 to calculate the actuarial value of assets.

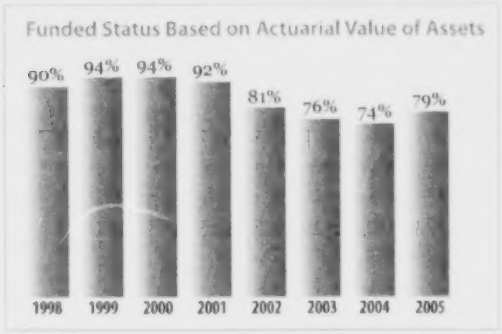
($ millions)	December 31, 2005			December 31, 2004		
	Pre-92 Service	Post-91 Service	Total Service	Pre-92 Service	Post-91 Service	Total Service
Fair Value of Net Assets	1,152.2	1,010.2	2,162.4	1,082.7	821.3	1,904.0
Actuarial Adjustment	(68.0)	(55.9)	(123.9)	(55.6)	(40.4)	(96.0)
Actuarial Value of Net Assets	1,084.2	954.3	2,038.5	1,027.1	780.9	1,808.0
Accrued Liability	1,544.5	1,031.4	2,575.9	1,545.0	907.0	2,452.0
Actuarial Deficiency	(460.3)	(77.1)	(537.4)	(517.9)	(126.1)	(644.0)
Funded Ratio	70.2%	92.5%	79.1%	66.5%	86.1%	73.7%

At the end of 2005, the smoothing reserve (actuarial adjustment) had grown to $124 million. This is a reversal of $278 million from the position on December 31, 2002, when the smoothing reserve had a negative value of $154 million. The reserve now equals 4.8% of the total accrued liability. The smoothing reserve is a good measure of how the assets have been performing relative to the actuarial discount rate employed in the actuarial valuations.

THE PLAN'S LIABILITIES

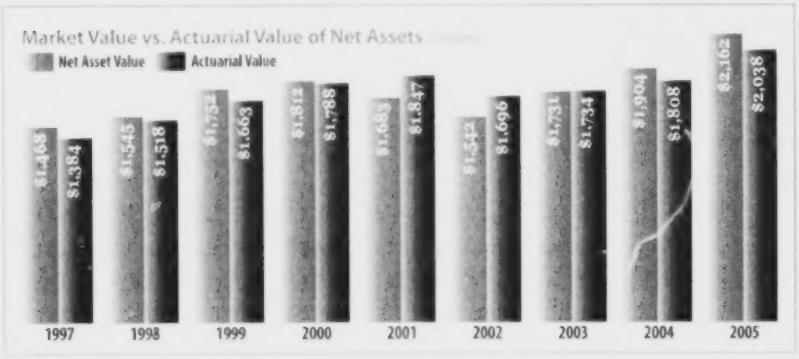
The Plan's total liability as of December 31, 2005 was estimated at $2,575.9 million. It represents a growth of 5% over the December 31, 2004 liability. The liability number was extrapolated by the actuary based on the assumptions and methods used in the December 31, 2004 actuarial valuation. These assumptions do not necessarily reflect the assumptions that might be used if a valuation were to be done at the end of 2005. The UAPP has historically undertaken an actuarial valuation of the Plan every two years.

The Plan's Funded Ratio based on Actuarial Value of Net Assets increased to 79.1% at the end of 2005 from 73.7% at the end of 2004. It should be noted that this does not include the Province of Alberta's share of the pre-1992 unfunded liability, which is estimated at $196 million and equals about 8% of the total accrued liability.



LOOKING TO THE FUTURE

The recovery in the financial markets and the strong, double-digit investment gains made by the UAPP over the last three years are starting to strengthen the balance sheet of the Plan. The market value of the Fund has grown to $2,162 million at the end of 2005 from $1,542 million at the end of 2002, a growth of 40%. Further, because of growth in Plan membership and increases in contribution rates, the gap between the benefits paid and the contributions received had narrowed to $11.3 million in 2005 from $34.0 million in 2002.



The Plan continued to see a healthy growth in its membership. The active membership grew by 12.4% in the last three years. The growth has helped stabilize the ratio of the liability for retirees and deferred members to the total liability in the range of 55%. These are all positive developments.

Like last year, the economic environment is still characterized by low inflation and low interest rates and expectations of reasonable growth in Canada, the US and in the world economies. Most analysts and forecasters continue to expect capital market returns in the single-digit area over the medium term. That would imply a gradual improvement in the Plan's funded position.

Even with this healthy outlook for the economy, the horizon is not free from clouds, especially from the perspective of a final-average-salary defined benefit pension plan. Long bond yields, a key variable in determining the discount rate used by actuaries in estimating the present value of liabilities, were hovering around 4% at the end of 2005. This is a drop of nearly 80 basis points from the end of 2004 when the last actuarial valuation was done. The spread between long and short-term rates had narrowed to less than 1% and the yield curve beyond the 2-year period was essentially flat at the end of 2005.

This raises at least two potential concerns. If, as many analysts currently expect, the yields on long bonds do not move up over the next year or so, there may be pressure to lower the discount rate at the time of the next actuarial valuation from the 6.75% rate used in the last valuation. As noted in the table of Sensitivity of Changes in Major Assumptions on page 30, if all other assumptions are kept constant, a 1% decrease in the assumed

continued on page 8

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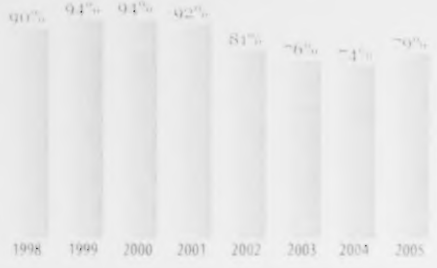

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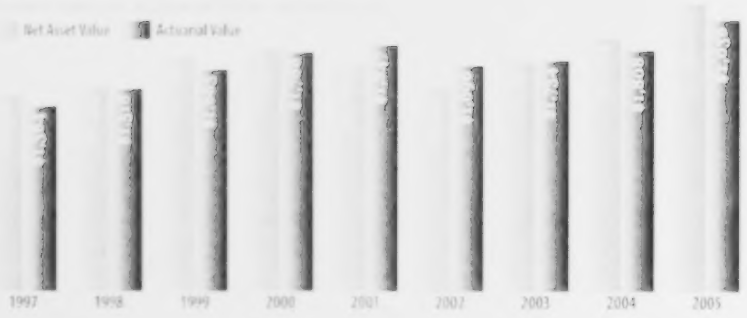

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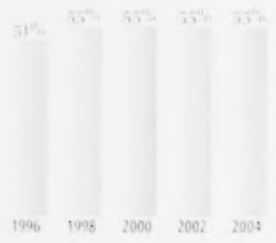

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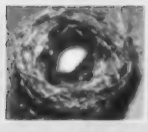
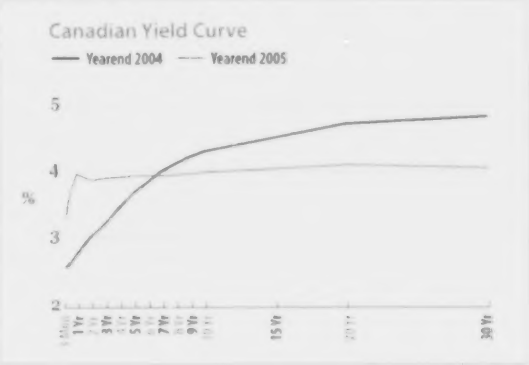


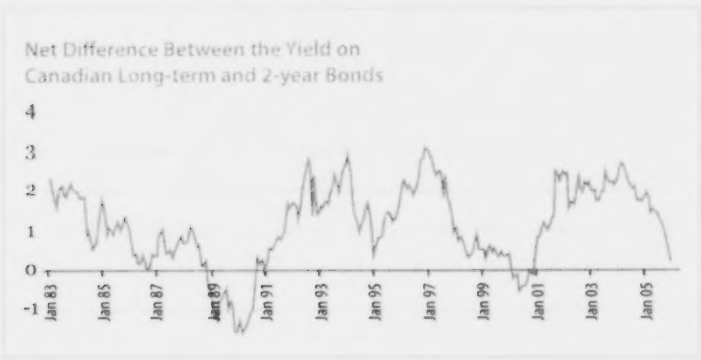
investment rate of return (discount rate) would increase the liabilities by about 13% and raise the current service cost of the Plan by 3.3% of salary. The Plan has had to cope with a fall in discount rate from 8.5% in the early 1990's to 6.75% in the 2004 valuation.

A yield curve shows the spread between long-term and short-term rates. Currently, the spread in Canada is very small, and the US yield curve is inverted, i.e., a situation where short-term interest rates are higher than long-term rates. Though it may well be different this time, many times an inverted yield curve has been associated with periods of economic stress and poor financial markets.

Also, it ought to be observed that 2005 marks the third year in a row of double-digit returns. Though there is no telling how the markets will behave in the short term, for the fixed income component to generate returns above the low, single-digit yield levels, interest rates will have to fall further from their current, historically low levels. Similarly, in terms of equities, further increases in corporate earnings which are already at historically high levels and/or an increase in price-earnings multiple will be needed to make major gains. Recent Canadian corporate earnings growth has largely been driven by strong commodity prices.



To respond to these challenges, the Board has been gradually increasing its allocation to Real Estate and Private Income Pool, including Timberland. Such investments are geared to provide a higher current yield plus a potential for capital appreciation and, in the long term, protection against inflation. The Board is also working with its investment manager, Alberta Investment Management (AIM), the investment operations group of Alberta Finance, to develop a framework to improve the identification of risk within the Fund and support decisions to adjust risk exposures within the Fund.



Regarding benefit and information services to members, the final stages of the new administration system have been completed with the release of the Retirement Planner to members. The quality of member services and communications has continued to improve. The Board will be working with employers and its service providers to make full use of the system and provide enhanced services to members.

2005 marks the third year in a row of double-digit returns

The Board will continue to look for opportunities to diversify further market exposures within the Fund, provide added value and enhance services to members and employers. The security of benefits under the Plan is and will remain the first priority of the Board.

INVESTMENT REPORT

INVESTMENT CONSIDERATIONS AND APPROACH

As noted in previous Annual Reports, the total return achieved from the Plan's investments directly impacts the contributions required to fund the Plan. Over the long term, the higher the returns, the lower the contributions required from employers and employees to pay the benefits under the Plan. This fact, combined with the long-term nature of the Plan's liabilities, implies that the Plan should have an investment strategy that maximizes long-term rates of return.

However, asset classes with higher long-term returns tend to be associated with higher volatility. Equities, which have the highest long-term rates of returns, also experience the greatest volatility. For example, the data for Canadian equities and long bonds from the start of 1925 to the end of 2004 shows that the annual compound return for equities exceeded that of bonds by 3.9% (10.0% vs. 6.1%). However, during the same period, the standard deviation of annual returns for equities was more than twice (18.5% vs. 8.8%) as large as for long bonds. This standard deviation or volatility of annual returns can be even greater over shorter time horizons.

Further, the UAPP is required by law to perform an actuarial valuation of the Plan at least once every three years and increase contribution rates, if necessary, to make up any shortfall in assets over a specified period of time. Unlike the asset returns that tend to vary from year to year and can be highly volatile, and even negative over short time periods, the Plan's liabilities in general move in one direction only and tend to go up steadily from one year to the next. This difference between the behaviour of assets and liabilities means that the volatility in asset returns over short time horizons can, at times, adversely impact the Plan's funded position and the contributions required to meet the legislated funding standards at the time of an actuarial valuation.

Therefore, management of the Plan requires an investment approach that seeks to obtain higher long-term returns while containing the potential volatility in short-term results. This approach underlines the UAPP's investment policy and risk management measures.

INVESTMENT POLICY AND RISK MANAGEMENT

The UAPP's investment policies are set out in the Statement of Investment Policies and Goals (SIP&G) and are based on the investment beliefs and expectations of the Board. The Board reviews the SIP&G at least once a year and makes adjustments as necessary. The asset mix policy, or the Fund's long-term allocation to the different asset classes, is a key component of the SIP&G. It is through the asset allocation decision that the Board diversifies its investments across asset classes and seeks a balance between the objective of higher long-term returns and the need to reduce shorter-term volatility in those returns.

In the process of making such a decision, the Board may do a comprehensive Asset/Liability study for the Plan. An Asset/Liability study analyzes the risk-return profile of the existing asset mix and alternative asset mixes, including new asset classes, under different economic scenarios within the context of the Plan's liability structure. Traditionally, a comprehensive Asset/Liability study is usually done every four years or so. Between studies, the Board, through its Investment Committee, monitors on an ongoing basis the performance of the Fund, prevailing market conditions and the funded status of the Plan. Based on this monitoring, the Board may make adjustments to the asset mix and take other appropriate measures to control risk or improve returns.

After completing an Asset/Liability study in 2004, the Board revised the long-term target asset mix for the Plan. Changes included a first-time allocation of 5.0% of the Fund to Real Estate and 2.5% to Private Income securities, and corresponding reductions in the amount of funds held in Cash and Short-term securities and in Real Return Bonds. As investments are made in

continued on page 10

these new asset classes, the allocation to Fixed Income securities will be reduced to 27.5% of the Fund over time. The move into Real Estate and Private Income securities reflects an expectation of low returns in the near term in the public markets, a desire to diversify sources of return within the Fund and a need to maintain an inflation-sensitive stream of income reflective of the Plan's long-term funding requirements.

In 2005, the Board reviewed the results of initial investments in the new asset classes and decided to increase the long-term target for Private Income from 2.5% to 5.0%. A decision was also made to invest up to 1.0% of the Fund in Timberland within the Private Income allocation. Finally, the Board decided that the increase in the Private Income investments will be funded, when required, by decreasing the allocation to investments in EAFE and Emerging Markets securities.

The table below summarizes the Board's long-term target asset mix as well as the policy and actual asset mix at the end of 2005 and 2004.

		Asset Mix %			
	Long-Term Target	Policy Asset Mix		Actual	
December 31, 2005	Asset Mix	2005	2004	2005	2004
Fixed Income					
Cash & Short-term	0.5%	0.5%	0.5%	0.6%	0.6%
Long-term	18.0%	18.0%	18.0%	17.2%	17.1%
Real Return Bonds	9.0%	11.5%	13.5%	11.4%	13.2%
Total	**27.5%**	30.0%	**32.0%**	29.2%	**30.9%**
Public Equities					
Canadian	20.0%	20.0%	20.0%	20.5%	20.6%
United States	20.0%	20.0%	20.0%	19.3%	19.3%
Europe, Australasia, Far East	20.0%	22.0%	22.0%	21.9%	22.7%
Emerging Markets	2.5%	3.0%	3.0%	3.7%	3.3%
	62.5%	65.0%	**65.0%**	65.4%	**65.9%**
Real Estate	**5.0%**	3.5%	**2.5%**	3.9%	**2.4%**
Private Income	**5.0%**	1.5%	**0.5%**	1.5%	**0.8%**
Total	**100.0%**	100.0%	**100.0%**	100.0%	**100.0%**

In addition to the investment risk associated with setting an asset mix, there is also the risk related to implementation of the investment policy. AIM manages the Plan's investments within the framework set by the Board's SIP&G and handles related day-to-day operations. To mitigate implementation risk, clearly defined benchmarks, guidelines, standards and controls have been established at both the total Fund and asset class levels. AIM has the flexibility to act within the prescribed limits in order to add value over the policy benchmark. Both compliance with the SIP&G and performance against the specified benchmarks are monitored formally on a quarterly basis. The operational risk is further lessened through complementing the internal investment management teams within AIM with third party investment management firms engaged by AIM to carry out specialized mandates in the Canadian, US, and non-North American equity markets. Finally, the Board has retained an independent asset consultant, Aon Consulting Inc., to provide evaluation of both AIM and its external managers on a regular basis.

The relationship with AIM allows the UAPP to implement an investment program based on its investment beliefs and policies while benefiting from the economies of scale and the broad scope of investment possibilities that come with a large investment pool. This relationship helps lower the UAPP's costs and provides access to a wider set of investment opportunities.

EVALUATING INVESTMENT PERFORMANCE

A key assumption in calculating the Plan's liabilities is the long-term real rate of return, i.e. the return net of inflation. The estimated value of the Plan's liabilities is highly sensitive to this assumption. Over the last several valuations, the Plan's actuary has used a long-term real return rate of 4.0% in estimating the liabilities and, therefore, this number can be considered a long-term investment return target for the Plan.

The Fund's investment performance can also be assessed in terms of whether investment managers are adding value above their respective benchmarks. In this case, the actual performance of the Fund is measured against the return on a policy benchmark calculated using the Fund's policy allocation to each asset class and the return on the market index for the specific class.

Finally, investment performance can also be compared to other funds. This comparison is meaningful only to the extent that the funds being compared have similar investment objectives, risks and other constraints and policies. A fund that is 100% invested in fixed income, for example, does not provide a valid comparison to a fund that is 100% invested in equities. As a result, these comparisons among funds are best made at the asset class level.

2005 FUND PERFORMANCE

At the end of 2005, the market value of the Plan's investments totalled $2,152 million, up $257 million from $1,895 million at the end of the previous year after accounting for a net negative cash flow of $13 million. That means the Fund's investments generated a return of $270 million in 2005. The time-weighted return was 14.4% in 2005 compared to 11.7% in 2004.

The strong, though somewhat unexpected, performance was driven by another good year for most asset classes and most of the markets that the UAPP participates in. US equity was the sole exception. With a return of 30.3%, Emerging Markets was the best-performing asset class. Strong performance by the energy sector made Canadian equities the second-best-performing asset class for the UAPP.

Real return bonds and long bonds again put up great numbers, returning 15.2% and 13.8% respectively.

US equity was the worst-performing asset class for the second year in a row, in part because of the drop in the value of the US dollar.

Looking at the Plan's performance relative to the real rate of return objective, the chart on the next page compares the Plan's actual annual investment returns to the required returns based on the real return objective of 4.0% both annually for the last eight years and on a compound annualized basis for the last 4- and 8-year periods.

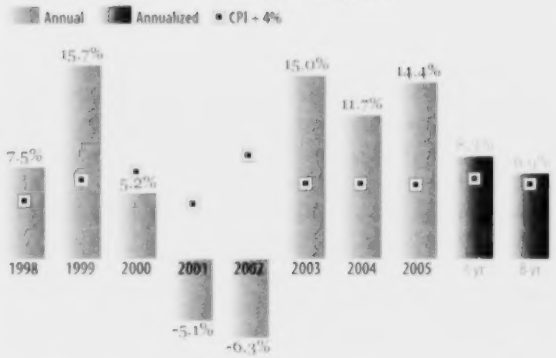
(continued on page 12)

With a return of 30.3%, Emerging Markets was the best-performing asset class.

Returns over the last three years have been very strong. Now, despite the negative returns in 2001 and 2002, the Plan's actual annualized real rate of return over the last four-year and eight-year periods once again exceeds the Plan's long-term actuarial assumption of a 4.0% real rate of return.

As of the end of 2005, on a net basis (after all fees) at the total Fund level, investment management has added nearly 50 basis points to the Plan's return each year on a compound annualized basis over the last eight years.

Fund Return and the Real Return Objective

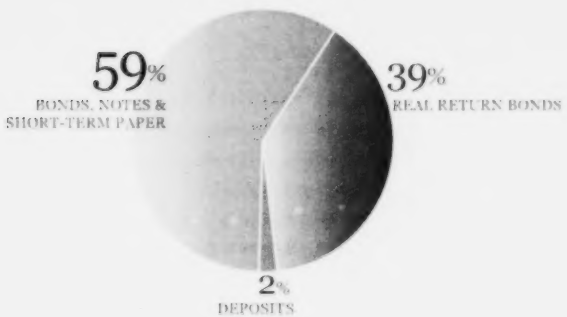


PERFORMANCE BY ASSET CLASS

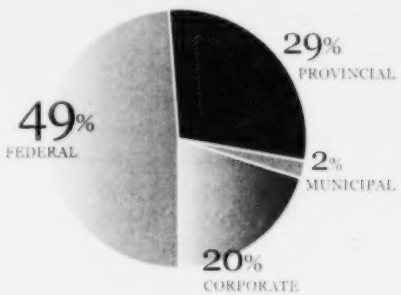
FIXED INCOME INVESTMENTS

The UAPP fixed income component includes cash, long bonds and real return bonds, totalling 29.2% of total investments or $629 million at December 31, 2005 (30.9% or $586 million at December 31, 2004).

Summary of Fixed Income Holdings (by type of security)



Summary of Fixed Income Holdings (issued & guaranteed by)



CANADIAN EQUITIES

At December 31, 2005, Canadian public equities represented 20.5% of the Plan's total investments or $441 million compared to 20.6% or $389 million at the end of the previous year. Canadian equities are managed through several strategies including both indexed and active mandates. AIM internally manages the passive index while external investment managers actively manage the large cap strategy (investing in companies with large market capitalization and incorporating value, growth, and core styles) and the small cap strategy.

Canadian Equity Holdings

	By Industry Sector - %	2005	2004
1	Financials	31	30
2	Energy	25	18
3	Materials	14	18
4	Industrials	8	8
5	Consumer discretionary	7	8
6	Telecommunications	5	4
7	Consumer staples	4	5
8	Information technology	4	6
9	Health Care	1	2
10	Utilities	1	1
		100	100

In comparison to Canadian balanced funds mentioned in various asset consultants' surveys of performance results, the UAPP Fund has historically had higher exposure to long bonds, real return bonds and non-Canadian equity. That is why performance comparison at the total Fund level with those funds is not instructive. The median performance of the Canadian balanced accounts in Russell Canada's survey was reported at 11.9% in 2005 and 7.6% over the 4-year period ending in 2005. The UAPP's equivalent numbers are 14.4% and 8.3% respectively.

Short-term Fixed Income	Actual Return %	Benchmark Index SC 91-Day T-Bill Index %	Net Value Added bps*
One year	2.8	2.6	20
Four year	2.7	2.6	10

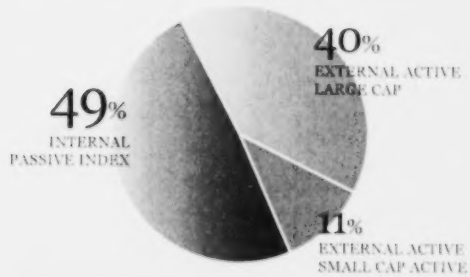
* One basis point equals .01%

Long Bonds	Actual Return %	Benchmark Index SC Long Bond Index %	Net Value Added bps
One year	13.8	13.8	0
Four year	11.4	11.0	40

Real Return Bonds	Actual Return %	Benchmark Index SC Real Return Index %	Net Value Added bps
One year	15.2	15.2	0
Four year	15.4	15.3	10

Overall, the Plan's fixed income investments out-performed their respective benchmarks. Long bonds returned 13.8% in 2004 compared to the Scotia Capital Long Bond Index of 13.8%, while Real Return Bonds returned 15.2% versus the Scotia Capital Real Return Bond Index of 15.2%. The cash and short-term component (which fluctuates between 0.5% and 1.0% of total Plan assets) had a return of 2.8%, compared to 2.6% from the Scotia Capital 91-Day T-bill Index.

Summary of Canadian Equity Holdings



The actual return from Canadian equity investments over the year was 24.4%, 70 basis points better than the combined benchmark S&P/TSX Composite Index and Nesbitt Burns Small Cap Index of 23.7%.

Canadian Equities	Actual Return %	Benchmark Index S&P/TSX Composite NB Small Cap Indexes %	Net Value Added bps
One year	24.4	23.7	70
Four year	12.3	12.1	20

Returns over the last three years have been very strong. Now, despite the negative returns in 2001 and 2002, the Plan's actual annualized real rate of return over the last four-year and eight-year periods once again exceeds the Plan's long-term actuarial assumption of a 4.0% real rate of return.

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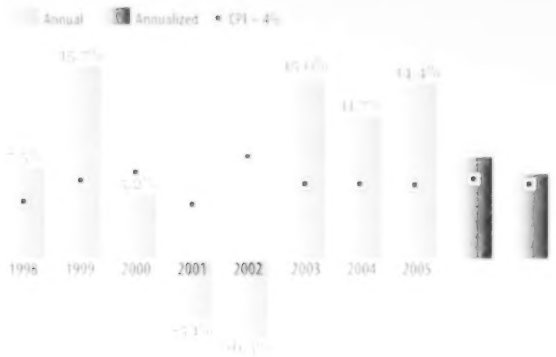
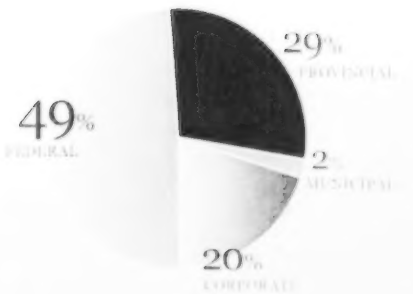
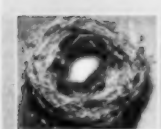


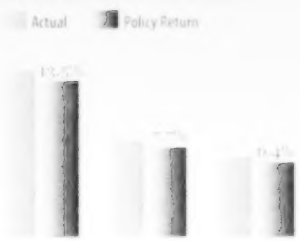
The UAPP fixed income component includes cash, long bonds and real return bonds, totalling 29.2% of total investments or $629 million at December 31, 2005 (30.9% or $586 million at December 31, 2004).



At December 31, 2005, Canadian public equities represented 20.5% of the Plan's total investments or $441 million compared to 20.6% or $389 million at the end of the previous year. Canadian equities are managed through several strategies including both indexed and active mandates. AIM internally manages the passive index while external investment managers actively manage the large cap strategy (investing in companies with large market capitalization and incorporating value, growth, and core styles) and the small cap strategy.

By Industry Sector - %		2004
1	Financials	30
2	Energy	18
3	Materials	18
4	Industrials	8
5	Consumer discretionary	8
6	Telecommunications	4
7	Consumer staples	5
8	Information technology	6
9	Health Care	2
10	Utilities	1
		100





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Short-term Fixed Income	Actual Return %	Benchmark Index SC 91-Day T-Bill Index %	Net Value Added bps*
One year	2.8	2.6	20
Four year	2.7	2.6	10

*One basis point equals 0.01%

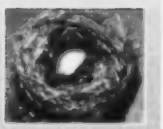
Long Bonds	Actual Return %	Benchmark Index SC Long Bond Index %	Net Value Added bps
One year	13.8	13.8	0
Four year	11.4	11.0	40

Real Return Bonds	Actual Return %	Benchmark Index SC Real Return Index %	Net Value Added bps
One year	15.2	15.2	0
Four year	15.4	15.3	10

Overall, the Plan's fixed income investments out-performed their respective benchmarks. Long bonds returned 13.8% in 2004 compared to the Scotia Capital Long Bond Index of 13.8%, while Real Return Bonds returned 15.2% versus the Scotia Capital Real Return Bond Index of 15.2%. The cash and short-term component (which fluctuates between 0.5% and 1.0% of total Plan assets) had a return of 2.8%, compared to 2.6% from the Scotia Capital 91-Day T-bill Index.

The actual return from Canadian equity investments over the year was 24.4%, 70 basis points better than the combined benchmark S&P/TSX Composite Index and Nesbitt Burns Small Cap Index of 23.7%.

Canadian Equities	Actual Return %	Benchmark Index S&P/TSX Composite NB Small Cap Indexes %	Net Value Added bps
One year	24.4	23.7	70
Four year	12.3	12.1	20



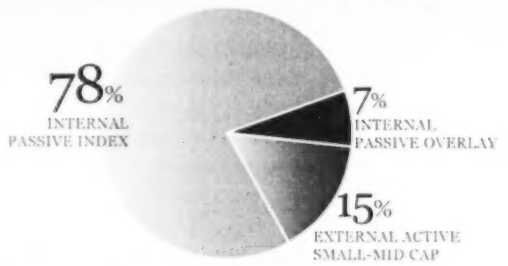
US PUBLIC EQUITIES

At December 31, 2005, US public equities comprised 19.3% of the Plan's total investments or $415 million compared to 19.3% or $366 million the previous year. The portfolio is comprised of internally-managed passive index strategies and externally-managed active large cap and small cap strategies.

United States Equity Holdings

By Industry Sector - %		2005	2004
1	Financials	21	20
2	Information technology	15	15
3	Health Care	14	12
4	Industrials	12	13
5	Consumer discretionary	11	14
6	Energy	9	7
7	Consumer staples	8	9
8	Materials	5	4
9	Telecommunications	3	3
10	Utilities	2	3
		100	100

Summary of United States Equity Holdings



US Equities	Actual Return	Benchmark Index S&P 500 & Russell 2500 Indexes	Net Value Added
	%	%	bps
One year	2.3	2.1	20
Four year	-2.9	-3.6	70

The Plan's actual return from US equity investments in 2005 was 2.3%, 20 basis points better than the combined benchmark S&P 500 Index and Russell 2500 Index of 2.1% in Canadian dollars.

NON-NORTH AMERICAN EQUITIES

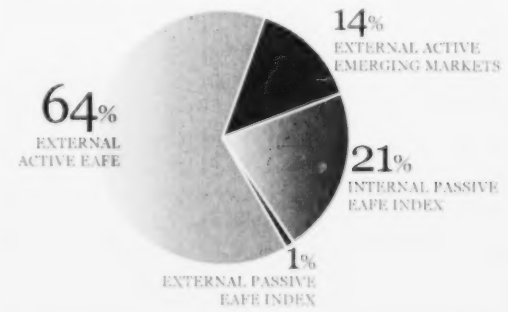
EUROPE AUSTRALASIA AND FAR EAST (EAFE)

The Plan's EAFE exposure comprised 21.9% or $472 million of total Plan investments at December 31, 2005 compared to 22.7% or $431 million the previous year. The EAFE equity portfolio is comprised of internally-managed passive EAFE index strategies and externally-managed EAFE Active strategies.

Non-North American Equity Holdings

By Industry Sector - %		2005	2004
1	Financials	28	28
2	Industrials	11	11
3	Consumer discretionary	12	14
4	Energy	8	9
5	Health Care	8	6
6	Materials	8	8
7	Consumer staples	7	6
8	Information technology	6	5
9	Telecommunications	6	9
10	Utilities	4	4
		100	100

Summary of Non-North American Equity Holdings



Europe, Australasia, Far East	Actual Return	Benchmark Index MSCI EAFE Index	Net Value Added
	%	%	bps
One year	11.8	10.0	180
Four year	4.7	3.8	90

The Plan's actual return from EAFE equity investments in 2005 was 11.8%, 180 basis points better than the benchmark return MSCI EAFE Index of 10.0% in Canadian dollars.

EMERGING MARKETS

The Plan's Emerging Market portfolio totals 3.7% or $79 million of total Plan investments at December 31, 2005 compared to 3.3% or $62 million the previous year. The Emerging Market mandate returned 30.4% in 2005, 10 basis points better than the MSCI Emerging Market Free Index of 30.3% in Canadian dollars. The Emerging Markets portfolio is an externally-managed active strategy.

Emerging Markets	Actual Return %	Benchmark Index MSCI Emerging Market Free Index %	Net Value Added bps
One year	30.4	30.3	10
Four year	16.5	16.1	40

REAL ESTATE

At December 31, 2005, Real Estate investments comprised 3.9% of total Plan investments or $83 million compared to 2.4% or $46 million the previous year. Real Estate investments provide diversification and protection from inflation. The Real Estate portfolio includes a mix of office, retail, industrial and residential properties located in Ontario, Alberta, Quebec and British Columbia. The focus is on quality properties featuring strong locations and tenants. The Real Estate investments returned 29.9% in 2005.

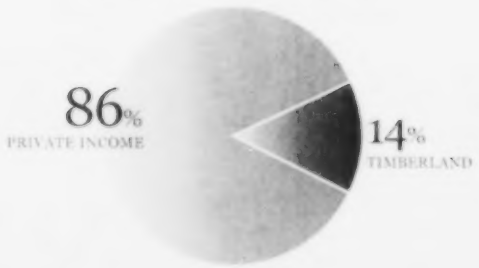
Real Estate Holdings by Sector

Real Estate Holdings by Province

ALTERNATIVE INVESTMENTS

The Plan's Alternative Investment portfolio consists of Private Income securities and Timberland investments. Private Income securities include infrastructure-related projects that are structured to yield high current income Timberland investments provide high current income and long investment horizons. At December 31, 2005, Private Income securities comprised 1.3% of total Plan investments or $28 million compared to 0.8% or $16 million at the end of the previous year. New for 2005 is Timberland investments representing a partnership interest in forestry land located in British Columbia. Timberland investments comprised 0.2% of total Plan investments or $5 million.

Alternative Investments Holdings



The benchmark for Alternative Investments is the Consumer Price Index (CPI) plus 6.0%. In 2005, Alternative Investments returned 18.3% compared to the benchmark of 8.0%.

TABLE OF INVESTMENT RETURNS

For the year ended December 31

	Annual Returns				Annualized	
	2005	2004	2003	2002	4yr	8yr
	%	%	%	%	%	%
Total Fund	14.4	11.7	15.0	-6.3	8.3	6.9
Policy Return	13.5	11.6	14.0	-7.1	7.7	6.4
Russell Canadian Balanced Median	11.9	9.9	13.6	-5.3	7.6	7.6
Consumer Price Index (A)	2.2	2.1	2.0	3.9	2.5	2.2
Short-term fixed income	2.8	2.2	3.0	2.8	2.7	4.0
SC 91-Day T-Bill Index	2.6	2.3	2.9	2.5	2.6	3.7
Long-term fixed income	13.8	10.4	9.4	11.9	11.4	8.2
SC Long-term Bond Index	13.8	10.3	9.1	11.1	11.0	8.7
Real rate of return bonds	15.2	17.6	13.5	15.3	15.4	11.2
SC Real Return Bond Index	15.2	17.5	13.3	15.3	15.3	11.4
Total fixed income	14.2	13.6	11.1	13.6	13.1	9.2
Fixed Income Index (B)	14.2	13.2	10.6	12.4	12.6	9.1
Russell Bonds Median	6.4	7.2	6.9	8.8	7.4	6.9
Canadian Equities	24.4	14.9	26.4	-12.0	12.3	8.7
Canadian Equity Index (C)	23.7	14.9	26.7	-12.4	12.1	8.4
Russell Canadian Stocks Median	24.1	15.8	26.5	-9.1	13.6	10.9
United States Equities	2.3	4.0	7.8	-22.5	-2.9	1.9
US Equity Index (D)	2.1	3.3	5.3	-22.9	-3.6	2.3
Russell US Stocks Median	1.9	2.8	5.0	-22.9	-3.8	2.3
Europe, Australasia and Far East	11.8	11.7	14.3	-15.8	4.7	5.8
MSCI EAFE Index	10.0	12.0	13.4	-16.8	3.8	3.6
Russell non-North American Stocks Median	9.8	11.6	11.3	-16.1	4.1	5.6
Emerging Markets	30.4	20.1	25.1	-6.0	16.5	n/a
MSCI Emerging Markets Free	30.3	17.3	27.8	-7.0	16.1	n/a
Russell Emerging Markets Median	32.4	17.0	29.8	-4.8	18.0	9.6
Foreign Equity	9.0	8.9	12.3	-18.0	2.3	4.6
Foreign Equity Index (E)	7.9	8.9	10.7	-18.9	1.4	3.8
Russell World Equity Median	10.0	7.0	9.3	-20.1	1.4	5.0
Real Estate	29.9	n/a	n/a	n/a	n/a	n/a
IPD Large Institutional All Property Index	20.8	n/a	n/a	n/a	n/a	n/a
Alternative Investments	18.3	4.5	n/a	n/a	n/a	n/a
CPI plus 6% (F)	8.0	n/a	n/a	n/a	n/a	n/a

(A) The Consumer Price Index (CPI) is reported on a real-time basis.
(B) Combination of SC 91-Day T-Bill, Long Bond and Real Return Bond Index.
(C) Combination of S&P/TSX Capped Composite Index and Nesbitt Burns Small Cap Index.
(D) Combination of S&P 500 Index and Russell 2500 Index.
(E) Combination of S&P 500 Index, Russell 2500 Index, MSCI EAFE Index and MSCI Emerging Markets Free Index.
(F) The CPI in this benchmark is calculated and reported on a one-month lagged basis due to timing differences in reporting between AIM and Statistics Canada throughout the year.

ADMINISTRATION REPORT

The Board is responsible for the operation and administration of the UAPP. Plan administration, including collecting member data and contributions, the calculation and paying of pensions and other benefits, and communicating information to members, pensioners and employers, forms a major part of this responsibility.

2005 saw further progress on redeveloping our administrative systems to improve transaction processing, enhancing communications with members and employers, as well as maintaining a high level of day-to-day performance. These activities are described in more detail in the following sections of this administration report.

FINALIZATION OF THE NEW PENSION SYSTEM

2005 saw the implementation of the Retirement Planner, which was the final major component of phase one of the UAPP's new pension system. Over the next couple of years, the UAPP will be working very hard to ensure that members and employers increasingly see the substantial benefits expected to flow from the operation of the new system.

PLAN COMMUNICATIONS

After being pilot-tested in the latter part of 2004, a password-protected web-based Retirement Planner was made available to active members early in 2005. The Planner allows members to estimate their UAPP pension based on their actual data in the UAPP system. In addition, members can also use the Retirement Planner to estimate their income in retirement from their RRSP and other savings. By combining the CPP and the OAS benefits with the other information provided by the Planner, members can get a comprehensive estimate of their potential income in retirement. In conjunction with the Planner, a new unique member identification number to replace the social insurance number was implemented to ensure compliance with privacy legislation.

The UAPP website was extensively updated during 2005 and now has a much-improved appearance, as well as being more cost-effective and easier to keep current. Members are now visiting the website in increasing numbers and with more frequency. The "What's New", quarterly investment report, information sheets, and the Member Handbook portions of the website are among the most popular. An updated Member Handbook was added to the UAPP website early in 2005, and Communiqués were issued quarterly to update members and employers on topical subjects related to pensions. In addition, members were provided with personal annual statements containing details of their plan status.

OTHER DEVELOPMENTS

During 2005, amendments to the Plan's Sponsorship and Trust Agreement were made that eliminated the coordinated retirement pension options, and simplified the purchase of prior service. The procedures, letters and forms relating to prior service purchases were also changed and improved as part of the implementation of the changes.

New standards adopted by the Canadian Institute of Actuaries for calculation of commuted values under the Plan were implemented effective February 1, 2005.

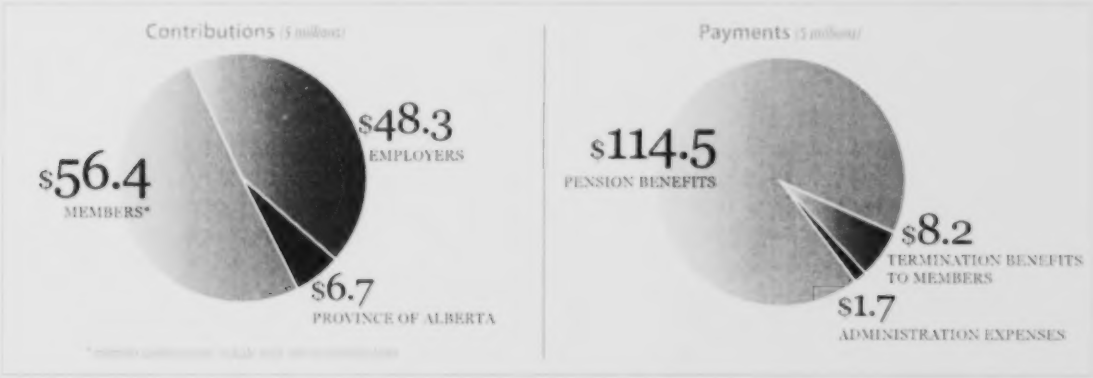
An actuarial valuation of the UAPP as at December 31, 2004 was undertaken, and there was a resulting increase in contribution rates in 2005. In addition, the Plan processed a cost-of-living allowance for pensioners effective January 1, 2006.

Finally, Augustana College staff were absorbed into the University of Alberta and began participating in the UAPP. These staff had the option of purchasing their College service, and much work took place in providing costings, setting up new accounts, administering fund transfers, and communicating with the Canada Revenue Agency.

2005 saw the implementation of the Retirement Planner.

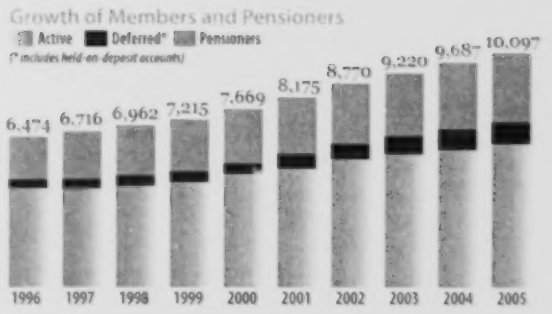
2005 CONTRIBUTIONS AND PAYMENTS

During the year, the total payments of benefits to pensioners and terminated members rose by 4.5% (2004: 11.8%) from $117.4 million to $122.7 million. However, primarily because of the increase in contribution rates implemented on July 1, 2005, but also due to the continuing increase in Plan membership and member salaries, total contributions grew much faster by 21.1% from $92.0 to $111.4 million. This resulted in pension expenditures exceeding receipts by only $11.3 million compared to $25.4 million in the previous year.



ACTIVE MEMBERSHIP

Membership in the UAPP continued to increase during 2005, rising from 5,915 at the end of 2004 to 6,179 at December 31, 2005. Pension contribution rates were increased effective July 1, 2005 pursuant to the 2004 actuarial valuation. Accordingly, total contributions from employers and employees increased from $77.4 million to $94.0 million for post-1991 service, and for pre-1992 service from $8.5 million to $10.8 million. The Province of Alberta made a contribution of $6.6 million in respect of the pre-1992 unfunded liability.



TERMINATED AND DEFERRED MEMBERS

Termination benefits amounting to $8.2 million (2004: $9.8 million) were paid during the year to or on behalf of former members of the UAPP. $4.3 million was transferred to locked-in retirement plans for the terminating members. The number of members who had terminated their employment with a UAPP employer but had not made a decision regarding their benefit choice climbed from 874 in 2004 to 913 at the end of 2005.

PENSIONERS

The number of former employees and their spouses receiving a pension from the UAPP continued to rise, increasing from 2,898 in 2004 to 3,005 in 2005 (3.7%). 179 new pensioners commenced in 2005, and the most popular pension choice among members with a spouse was a Joint Life with a 10-year guarantee. The total amount paid to pensioners rose from $107.6 million in 2004 to $114.5 million in 2005. Pensioners were granted cost-of-living increases of 0.78% effective January 1, 2005 and 1.20% effective January 1, 2006.

STATISTICS

Participation	2005	2004
Active Members	6,179	5,915
Deferred Members and held-on-deposit accounts	913	874
Pensioners	3,005	2,898
TOTAL	10,097	9,687

New Pensioners	2005	2004
Normal Retirements	62	42
Early Retirements	112	162
Death Benefits to Spouses	5	5
TOTAL	179	209

New Pensioner Retirement Choices

DURING 2005

	2005	2004
Single life – with or without guarantee	48	52
Joint life – 2/3 spouse, no guarantee	19	26
Joint Life – 2/3 spouse, 10-year guarantee	45	70
Joint life – 100% spouse, no guarantee	10	17
Joint life – 100% spouse, 10-yr guarantee	57	44
TOTAL	179	209

Monthly Payment Distributions

AS AT DECEMBER 31, 2005

Dollar value ($) per month	Member pensions	Spouse's pensions	Total
1 to 999	219	17	236
1,000 to 1,999	410	42	452
2,000 to 2,999	563	34	597
3,000 to 3,999	690	22	712
4,000 and over	1,004	4	1,008
TOTAL	2,886	119	3,005

PLAN EXPENSES

UAPP management continuously strives to provide services in the most efficient and cost-effective manner. In 2005, the UAPP's administration expenses amounted to $1.3 million ($134 per member) compared to $1.2 million ($132 per member) in 2004.

THE YEAR AHEAD

The major focus for management in 2006 will be to work with employers to improve the efficiency and effectiveness of the new pension administration system. Initiatives scheduled for 2006 include:

- Implementation of a system of independent audits to confirm the accuracy of employer data
- A review and re-design of all pension forms and standard letters
- A review of the services provided by outside contractors
- Making available pension seminars for members

Management will continue to strive for high standards in the provision of plan administration services in 2006.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and information in the 2005 Annual Report are the responsibility of management and have been approved by the Board of Trustees.

The financial statements have been prepared in conformity with Canadian generally accepted accounting principles and, of necessity, include some amounts that are based on estimates and judgments. Financial information presented in the 2005 Annual Report that relates to the operations and financial position of the Universities Academic Pension Plan is consistent with that in the financial statements.

Alberta Investment Management (AIM) of Alberta Finance, acting in the capacity of investment manager, and ACS HR Solutions and CIBC Mellon, acting in the capacity of pension administrators, maintain systems of internal control, including written policies, standards and procedures and formal authorization structures.

These systems are designed to provide management with reasonable assurance that transactions are properly authorized, reliable financial records are maintained and assets are adequately accounted for and safeguarded.

The Audit Committee assists the Board of Trustees in discharging its responsibility to approve the annual financial statements. The Committee meets regularly with both management and external auditors to review the scope and timing of the audit as well as to review any internal control or financial issues and their resolution. The Committee reviews the annual financial statements and recommends them to the Board of Trustees for approval.

KPMG LLP (KPMG), the Plan's external auditor, provides an independent audit of operations, investments, and financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures that allow them to report on the fairness of the financial statements. KPMG has full and unrestricted access to discuss the audit and related findings regarding the integrity and financial reporting and the adequacy of internal controls.

Virendra Gupta
Executive Director
Universities Academic Pension Plan

David Taylor, CA
Director, Finance and Administration
Universities Academic Pension Plan

AUDITORS' REPORT

To the Board of Trustees of the Universities Academic Pension Plan

We have audited the statement of net assets and accrued pension liability of the Universities Academic Pension Plan (the Plan) as at December 31, 2005 and the statements of changes in net assets available for benefits, changes in accrued pension liability and changes in actuarial deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and accrued pension liability of the Plan as at December 31, 2005 and the changes in net assets, accrued pension liability and actuarial deficiency for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP
Chartered Accountants
Edmonton, Canada
March 1, 2006

STATEMENT OF NET ASSETS AND ACCRUED PENSION LIABILITY

As at December 31

	2005	2004
	($ thousands)	
Net assets available for benefits		
Assets		
Investments (Note 3)		$ 1,895,330
Accrued investment income and accounts receivable		636
Contributions receivable		
Employers		3,573
Employees		3,923
Province of Alberta		896
		1,904,358
Liabilities		
Accounts payable and accrued liabilities		337
Net assets available for benefits		1,904,021
Actuarial adjustment for fluctuation in fair value of net assets (Note 2 (c))		(96,000)
Actuarial value of net assets available for benefits		1,808,021
Actuarial deficiency (Note 8)		643,979
Accrued pension liability		$ 2,452,000

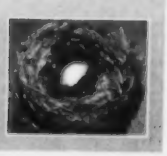
See accompanying notes and schedules

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the year ended December 31

	2005	2004
	($ thousands)	
Contributions received		
Current and optional service		
Employers		$ 37,328
Employees		40,107
Additional contributions to meet pre-1992 unfunded liability		
Employers		4,246
Employees		4,246
Province of Alberta		6,032
		91,959
Other income		
Net investment income (Note 6)		200,008
Payments made		
Pension benefits		(107,566)
Termination benefits		(9,828)
Plan expenses (Note 7)		(1,600)
		(118,994)
Increase in net assets		172,973
Net assets available for benefits at beginning of year		1,731,048
Net assets available for benefits at end of year		$ 1,904,021

See accompanying notes and schedules



STATEMENT OF CHANGES IN ACCRUED PENSION LIABILITY

For the year ended December 31

	2005			2004
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Increase in accrued pension liability				
Interest accrued on liability	$ 104,300	$ 67,500	$ 171,800	$ 164,600
Benefits earned	-	84,500	84,500	69,400
Changes in TIAA-CREF* balances	400	-	400	200
Changes in actuarial assumptions	-	-	-	37,800
Net experience losses	-	-	-	19,600
Change in the maximum pensionable salary limit	-	-	-	9,500
	104,700	152,000	256,700	301,100
Decrease in accrued pension liability				
Benefits paid, including interest	100,400	26,500	126,900	121,600
Cost-of-living experience gain	4,800	1,100	5,900	-
	105,200	27,600	132,800	121,600
Net increase (decrease) in accrued pension liability	(500)	124,400	123,900	179,500
Accrued pension liability at beginning of year	1,545,021	906,979	2,452,000	2,272,500
Accrued pension liability at end of year (Note 8)	**$ 1,544,521**	**$ 1,031,379**	$ 2,575,900	**$ 2,452,000**

** TIAA-CREF refers to the funds that certain members have with Sun Life in respect of service with their employers prior to the establishment of the UAPP in 1978.*

See accompanying notes and schedules.

STATEMENT OF CHANGES IN ACTUARIAL DEFICIENCY

For the year ended December 31

	2005			2004
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Actuarial deficiency at beginning of year	$ 517,900	$ 126,079	$ 643,979	$ 538,352
Increase in net assets available for benefits	(69,514)	(188,850)	(258,364)	(172,973)
Net change in actuarial adjustment for fluctuation in fair value of net assets	12,400	15,500	27,900	99,100
Net increase in accrued pension liability	(500)	124,400	123,900	179,500
Actuarial deficiency at end of year	**$ 460,286**	**$ 77,129**	$ 537,415	**$ 643,979**

See accompanying notes and schedules.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2005

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

Effective January 1, 2001 the Universities Academic Pension Plan (the Plan) became a non-statutory pension plan subject to and registered under the *Employment Pension Plans Act* of Alberta. The Plan is also registered under the *Income Tax Act*. The Plan's registration number is 0339572. The Plan now operates under a Sponsorship and Trust Agreement signed by the Plan Sponsors. A complete description of the Plan can be found in the Sponsorship and Trust Agreement. The Board of Trustees appointed by Plan Sponsors is responsible for administration of the Plan. The summary description of the Plan described below applies to members who contribute to the Plan on or after January 1, 2001.

(a) GENERAL

The Plan is a contributory defined benefit pension plan for academic staff members and other eligible employees of the Universities of Alberta, Calgary and Lethbridge, Athabasca University and The Banff Centre. In addition, employees of the Board of Trustees are eligible for membership.

(b) FUNDING POLICY

Contributions and investment earnings are expected to fund all benefits payable under the Plan. Employees and employers are responsible for fully funding service after 1991.

The unfunded liability for service prior to January 1, 1992 is financed by additional contributions from the Province of Alberta, employers and employees. These contribution rates are set on the basis that the additional contributions will eliminate the pre-1992 service unfunded liability on or before December 31, 2043. The Province pays 1.25% of salary and the balance of the required contributions is equally split between employees and employers.

Under the *Employment Pension Plans Amendment Regulation 245/2003 (Order in Council 357/203)*, the Plan is exempt from funding solvency deficiencies effective January 1, 2003 in respect of all service.

The Board of Trustees, in consultation with the Plan's actuary, reviews the contribution rates at least once every three years.

Effective July 1, 2005, employees of the Universities of Alberta, Calgary and Lethbridge contribute at the rate of 9.175% (2004: 8.015%) of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE), 11.575% (2004: 10.415%) on pensionable salary above the YMPE and up to the pensionable salary cap, and 1.14% (2004: 0.88%) on earnings above the pensionable salary cap. Employers contribute at the same rate as employees.

Employees of Athabasca University and The Banff Centre contribute at the rate of 8.675% (2004: 7.515%) of pensionable salaries up to the Canada Pension Plan's YMPE and 11.075% (2004: 9.915%) on pensionable salary above the YMPE and up to the pensionable salary cap. Employers contribute at a rate 1.0% more than employees. In addition, employees and employers provide equal matching contributions of 1.14% (2004: 0.88%) on earnings above the pensionable salary cap.

(c) RETIREMENT BENEFITS

The Plan provides for a pension based upon the average salary of the highest five consecutive years. For service before 1994, the pension is 2% for each year of pensionable service. From January 1, 1994, the Plan's benefits and contributions were integrated with the Canada Pension Plan. As a result, pensions for service after 1993 are reduced at age 65. The reduction is 0.6% of the Canada Pension Plan's average YMPE for the same five years as used in calculating the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to an actuarially unreduced pension for service before 1994 if they have attained age 55 and have at least two years of membership.

Members are entitled to an actuarially unreduced pension for service after 1993 if they have either attained age 60 and have at least two years of membership or have attained age 55 and the sum of their age and years of membership equals at least 80.

Members are entitled to a reduced pension for service after 1993 if they have attained age 55 and have at least two years of membership.

Members who become disabled and have at least two years of membership and are not in receipt of benefits from an approved disability plan are eligible to apply for a disability pension.

(d) DEATH BENEFITS

Death benefits are payable on the death of a member. If the member had at least two years of membership, a surviving spouse may choose to receive a pension based on total service or a lump sum payment. For a beneficiary other than a spouse, or where membership is less than two years, a lump sum payment must be paid.

(e) TERMINATION BENEFITS

Members who terminate with two or more years of membership and are not immediately entitled to a pension may elect to receive a deferred pension or a lump sum refund.

Refunds on service performed before 1994 equal employee and employer contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

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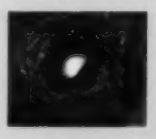


Note 1 Summary Description of the Plan, continued

Refunds on service performed after 1993 equal 1.75 times employee contributions plus interest, or the commuted value of the member's earned pension, whichever is greater.

Refunds are subject to the Plan's lock-in provisions and excess contribution rules.

Members with less than two years of membership are entitled to a refund of their own contributions plus interest.

(i) DISABILITY BENEFITS

Members who become disabled and are in receipt of benefits from an approved disability plan continue to earn pensionable service credits under the Plan.

(j) OPTIONAL SERVICE AND TRANSFERS

Leaves of absence which are purchased before April 30th following a return to work are costed based on the contributions which would have been paid during the leave period plus interest. All other optional service purchases are costed on an actuarial reserve basis and are cost neutral to the Plan. Funds related to the transfer of service to other plans are based on the regular termination benefits.

(k) COST-OF-LIVING ADJUSTMENTS

Pensions payable are increased each year on January 1st by an amount equal to 60% of the increase in the Alberta Consumer Price Index. The increase is based on the increase during the twelve-month period ending on October 31st in the previous year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) BASIS OF PRESENTATION

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Except for real rate of return bonds which are held directly by the Plan, Plan investments are held in pooled investment funds administered by Alberta Finance or external managers appointed by Alberta Finance. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

(b) VALUATION OF ASSETS AND LIABILITIES

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Finance.

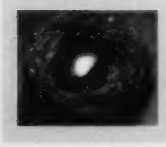
The fair value of alternative investments including investments in partnership interests, private investment funds, private equities and securities with limited marketability is estimated by Alberta Finance or external managers appointed by Alberta Finance using methods such as cost, discounted cash flows, earnings multiples, prevailing market values for instruments with similar characteristics and other pricing models as appropriate and may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers using methods such as replacement cost, discounted cash flows, earnings multiples, prevailing market values for properties with similar characteristics and other pricing models as appropriate.

The fair values of deposits, receivables, accrued investment income and accounts payable and accrued liabilities are estimated to approximate their book values.

(c) ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair values. The valuation method recognizes the amount by which actual market returns differ from assumed investment returns. Under this method, asset values are calculated based on what the asset value would be at the valuation date had the assets earned precisely the rate of return assumed in the actuarial valuation. This calculation is carried out independently at each of two starting points, namely the market value as at each of the two calendar year-ends preceding the valuation date. These two calculated values, together with the market value as at the valuation date, are averaged to determine the actuarial value of assets with a constraint limiting the actuarial value not to exceed 110% or fall below 90% of net assets available for benefits.



(d) INCOME RECOGNITION

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) FOREIGN EXCHANGE

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for those transactions that are covered under the terms of a forward exchange contract where the contract rate of exchange is used. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

(f) VALUATION OF DERIVATIVE CONTRACTS

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts, credit default swaps and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

Credit default swaps are valued based on discounted cash flows using current market yields and calculated default probabilities.

Cross-currency interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields and year-end exchange rates.

Income and expense from derivative contracts are accrued as earned and included in net investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

(g) MEASUREMENT UNCERTAINTY

In preparing these financial statements, management is required to make estimates and assumptions in circumstances where actual values are unknown. These estimates and assumptions affect the amounts reported in the financial statements. Actual results may materially differ from the estimates used (See Note 2 (b) and Note 8 (b)).

NOTE 3 INVESTMENTS (SCHEDULES B TO F)

(a) The Consolidated Cash Investment Trust Fund is managed by the Province of Alberta with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of three years.

(b) The Canadian Dollar Long Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Long Term Bond Index over the long term while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real Rate of Return Bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The External Managers Currency Alpha Pool is managed with the objective of providing a fair return over a four-year period while reducing return volatility through multiple manager investment style and strategies. The return is achieved through active currency management with currency positions established primarily through forward foreign exchange contracts. Participants deposit into the Pool a modest amount of cash to minimize rebalancing of cash flows in or out of the Pool when the forward foreign exchange contracts settle.

(e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange S&P/TSX Composite Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the S&P/TSX Composite Index.

(f) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Small Cap Pool is restricted to investing in publicly traded Canadian equities with a market capitalization of up to 0.15% of the S&P/TSX Composite Index total market capitalization at time of purchase. The performance objective of the Large Cap Pool is to provide investment returns higher than the total return of the S&P/TSX Composite Index over a four-year period. The performance objective of the Small Cap Pool is to provide investment returns higher than the total return of the Nesbitt Burns Small Cap Weighted Index over a four-year period. In both Pools, reducing return volatility is achieved through multiple managers, each of whom has a different investment style.

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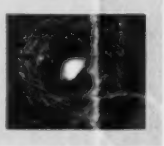
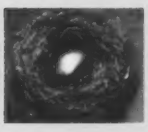


NOTE 3 INVESTMENTS (SCHEDULES B TO F)

	2005 Fair Value ($ thousands)	%	2004 Fair Value ($ thousands)	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 12,840	0.6	$ 12,192	0.6
Canadian Dollar Long Bond Pool (b)	370,073	17.2	324,998	17.1
Real Rate of Return Bonds (c)	245,079	11.4	249,192	13.2
External Managers Currency Alpha Pool (d)	648	-	-	-
Total fixed income securities	628,640	29.2	586,382	30.9
Canadian Equities (Schedule C)				
Domestic Passive Equity Pooled Fund (e)	228,239	10.6	193,021	10.2
External Managers				
Canadian Large Cap Equity Pool (f)	183,540	8.5	152,789	8.1
Canadian Small Cap Equity Pool (f)	50,489	2.4	41,034	2.2
Private Equity Pool	1,851	0.1	1,995	0.1
Overlay US Equity Pool (i)	(23,285)	(1.1)	-	-
	440,834	20.5	388,839	20.6
United States Equities (Schedule D)				
US Passive Equity Pooled Fund (g)	295,105	13.7	265,422	14.0
External Managers				
US Small/Mid Cap Equity Pool (h)	62,819	2.9	57,407	3.0
US Large Cap Equity Pool	-	-	40,243	2.1
S&P 500 Pooled Index Fund (g)	28,427	1.3	3,167	0.2
Overlay US Equity Pool (i)	29,087	1.4	-	-
	415,438	19.3	366,239	19.3
Non-North American Equities (Schedule E)				
External Managers				
EAFE Active Equity Pool (j)	351,594	16.3	-	-
Emerging Markets Equity Pool (k)	79,303	3.7	62,129	3.3
EAFE Passive Equity Pool (l)	7,414	0.3	7,466	0.4
EAFE Core and Plus Equity Pools	-	-	321,296	16.9
EAFE Structured Equity Pooled Fund (l)	113,190	5.3	101,779	5.4
	551,591	25.6	492,670	26.0
Alternative Investments - Equities				
Private Income Pool (m)	27,710	1.3	15,681	0.8
Timberland Pool (n)	4,534	0.2	-	-
	32,244	1.5	15,681	0.8
Real Estate Equities (Schedule F)				
Private Real Estate Pool (o)	83,404	3.9	45,519	2.4
Total equities	1,523,511	70.8	1,308,948	69.1
Total investments	$ 2,152,151	100.0	$ 1,895,330	100.0

(g) The US Passive Equity Pooled Fund and the S&P 500 Pooled Index Fund are passively managed. The portfolios are comprised of publicly traded United States equities similar in weights to the Standard & Poor's S&P 500 Index. The performance objective is to provide investment returns comparable to the total return of the S&P 500 Index. The Pools utilize a combination of pure security replication and synthetic replication strategies to obtain exposure to the benchmark. To enhance investment returns with no substantial increase in risks, the Pools also invest in futures, swaps and other structured investments.

(h) The External Managers US Small/Mid Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. The portfolios are actively managed by external managers with expertise in the US small/mid cap equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index and/or the S&P 500 Index over a four-year period while reducing return volatility through multiple manager investment style and unique market capitalization focus.



Note 3 Investments, continued

(h) The Overlay US Equity Pool is managed with the objective of providing a quick, effective and efficient way to adjust Canadian and United States equities exposures through synthetic instruments largely on an unfunded basis. At the end of 2005, the Pool was comprised of (i) a long position in the United States equity index through futures contracts, with a corresponding short position in the Canadian equity index through futures contracts and (ii) a short position in United States small cap equities with a corresponding long position in the United States large cap equities. Cash and Short-term Securities held by the Pool support approximately 5% to 10% of the Pool's notional exposure in Canadian and United States equity index futures contracts.

(i) The External Managers EAFE (Europe, Australasia and Far East) Active Equity Pool consists of multiple portfolios of publicly traded non-North American equities. Each portfolio is actively managed by an external manager and has constraints on foreign currency management, country allocation, stock selection and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the Morgan Stanley Capital International (MSCI) EAFE Index over a four-year period while reducing return volatility through multiple manager investment styles and market diversification.

(k) The External Managers Emerging Markets Equity Pool consists of a single portfolio of publicly traded equities in emerging markets around the world. The portfolios are managed by external managers with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index Emerging Markets Free (MSCI EMF) Index over a four-year period.

(l) The External Managers EAFE (Europe, Australasia and Far East) Passive Equity Pool and the EAFE Structured Equity Pooled Fund's performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(m) The Private Income Pool is managed with the objective of providing an investment return comparable to the Consumer Price Index plus 6% over the long term. The Pool invests in infrastructure-related projects that are structured to yield high current income.

(n) The Timberland Pool's performance objective is to provide a rate of return higher than the Consumer Price Index plus 4% over the long term. The Pool invests in a partnership interest in forestry land in British Columbia.

(o) The Private Real Estate Pool is managed with the objective of providing investment returns higher than the Investment Property Databank (IPD) Large Institutional All Property Index over the long term. Real estate is held through limited partnerships and intermediary companies which have issued to the Pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The Pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Long-term real rate of return expected to be earned on investments is the key assumption in calculating the actuarial liabilities of the Plan. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a long-term benchmark policy asset mix of 27.5% fixed income instruments and 72.5% equities. Equities include investments in real estate and alternative investments. Investment risk is reduced through asset class diversification, diversification within each asset class, and quality constraints within asset classes. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts may be used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to credit, interest rate and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Note 5 Derivative Contracts (continued)

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount.

An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. For credit default swaps, parties buy and sell insurance against credit risks inherent in bonds. Periodic payments, based on a notional amount, are exchanged for a contingent payment following a defined credit event of a reference entity. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Forward foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Equity index futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and net fair value of derivative contracts held by pooled funds at December 31, 2005:

	Maturity			2005		2004	
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Net Fair Value *	Notional Amount	Net Fair Value *
	%			($ thousands)			
Equity index swap contracts	79	21	-	$ 382,364	$ 13,899	$ 479,134	$ 19,327
Interest rate swap contracts	51	33	16	197,416	3,831	191,347	(7,718)
Cross-currency interest rate swap contracts	21	38	41	130,971	8,678	127,606	(5,616)
Equity index futures contracts	100	-	-	118,731	1,599	9,133	1,077
Forward foreign exchange contracts	100	-	-	76,644	(400)	58,857	(238)
Credit default swap contracts	19	19	62	34,547	509	48,214	85
Bond index swaps	100	-	-	10,793	754	-	-
				$ 1,171,166	$ 28,870	$ 914,291	$ 6,917

* *The method of determining fair value of derivative contracts is described in Note 2(f).*

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

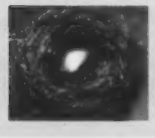
NOTE 6 NET INVESTMENT INCOME

Net investment income is comprised of the following:

	2005	2004
	($ thousands)	
Net realized and unrealized gains on investments, including those arising from derivative transactions	$ 200,693	$ 140,190
Interest income	50,715	45,469
Dividend income	19,866	15,547
Real estate income	3,090	1,172
Securities lending income	648	500
Pooled funds management and associated custodial fees	(3,680)	(2,870)
	$ 271,336	$ 200,008

The following is a summary of the Plan's proportionate share of net investment income by type of investments:

	2005	2004
	($ thousands)	
Fixed Income Securities	$ 80,548	$ 74,384
Canadian Equities	92,937	52,199
Foreign Equities		
United States	8,589	14,500
Non-North American	69,017	56,665
Alternative Investments - Equities	4,187	478
Real Estate Equities	16,058	1,782
	$ 271,336	$ 200,008



NOTE 7 PLAN EXPENSES

General Plan costs amounted to $134 per member (2004 $132 per member).

Investment management costs, including portfolio management, investment systems, internal audit and cash management expenses, were paid to Alberta Finance on a cost recovery basis.

	2005	2004
	($ thousands)	
General Plan costs	$ 1,330	$ 1,245
Investment management costs	381	355
	$ 1,711	$ 1,600

Pooled funds management and associated custodial fees totalling $3,680,000 (2004 $2,870,000), which have been deducted in arriving at in the calculation of net investment income of the pools (see Note 6), are excluded from Plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to 0.249% (2004: 0.235%) of assets under administration.

NOTE 8 ACCRUED PENSION LIABILITY

(a) ACTUARIAL VALUATION

An actuarial valuation of the Plan was carried out as at December 31, 2004 by the Plan's actuarial consultants, Mercer Human Resource Consulting, and was then extrapolated to December 31, 2005.

The actuarial liabilities were determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Board of Trustees adopted this best estimate.

The major assumptions used were:

	2005 Extrapolation	2004 Valuation
	%	%
Asset real rate of return	4.0	4.0
Inflation rate	2.75	2.75
Investment return (discount rate)	6.75	6.75
Salary escalation rate *	2.75	2.75
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

** In addition to merit and promotion*

In accordance with the requirements of the *Public Sector Pension Plans Act*, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the statement of changes in accrued pension liability which shows the principal components of the change in the actuarial value of accrued benefits. The following table summarizes the accrued pension liability, fair value of assets, and the resulting actuarial deficiency as at December 31, 2005 allocated between the pre-1992 and post-1991 periods:

	2005			2004
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Fair value of net assets	$ 1,152,235	$ 1,010,150	$ 2,162,385	$ 1,904,021
Actuarial adjustment for fluctuation in fair value of net assets	(68,000)	(55,900)	(123,900)	(96,000)
Actuarial value of net assets available for benefits	1,084,235	954,250	2,038,485	1,808,021
Accrued pension liability	1,544,521	1,031,379	2,575,900	2,452,000
Actuarial deficiency	**$ 460,286**	**$ 77,129**	$ 537,415	**$ 643,979**

The Plan's unfunded liability for service prior to January 1, 1992 is currently being financed by additional contributions of 1.25% of salaries by the Province of Alberta with employers and employees equally sharing the balance of the contributions of 2.28% of salaries as required to eliminate the unfunded liability on or before December 31, 2043. The actuarial valuation shows the present value of the Province of Alberta's obligation for future additional contributions was $183.4 million at December 31, 2004.

The Plan's unfunded liability for service after December 31, 1991 is currently being financed by special payments of 2.64% of salaries shared equally between employers and employees until December 31, 2017. The special payments will decrease to 1.38% of pensionable earnings on January 1, 2018 and continue until December 31, 2019.

The additional contributions and special payments have been included in the rates in effect at December 31,2005 (see Note 1(b)).

continued on page 30

Note 8 Accrued Pension Liability, continued

(b) SENSITIVITY OF CHANGES IN MAJOR ASSUMPTIONS

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and may materially affect the financial position of the Plan.

		Sensitivities	
	Changes in Assumptions %	Increase in Plan's Actuarial Deficiency ($ millions)	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 155.1	0.92%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	43.9	0.68%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	331.9	3.30%

** The current service cost as a % of pensionable earnings as determined by the December 31, 2004 valuation is 15.72%.*

NOTE 9 REMUNERATION OF BOARD MEMBERS

Remuneration rates as approved by Plan Sponsors are as follows:

	Chair	Trustee
Remuneration rates effective August 1, 2005		
Up to 4 hours	$ 176	$ 131
4 to 8 hours	300	217
Over 8 hours	478	340

During the year, the following amounts were paid:	2005	2004
Remuneration		
Chair	$ 3,403	$ 3,514
Trustees (8)	29,608	29,155
Travel expenses		
Chair	1,725	1,969
Trustees (8)	28,025	22,571

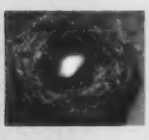
Trustees are paid for attending and preparing for Board and Committee meetings and for time spent on specified UAPP business upon the approval of the Board. Preparation time for a meeting is remunerated at no more than 4 hours. As provided for in the Sponsorship and Trust Agreement, the fees in respect of the Chair were paid to the respective academic staff association, and the fees in respect of the Vice-Chair were paid to the respective institution.

NOTE 10 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with the 2005 presentation.

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Trustees of the Plan.



SCHEDULE A

SCHEDULE OF INVESTMENT RETURNS

For the year ended December 31

The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

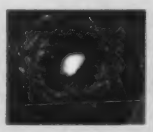
Investment returns and the relevant benchmarks for the Plan for the one- four- and eight -year periods ended December 31, 2005 are as follows:

	One Year Return				Compound Annualized Return	
	2005	2004	2003	2002	4 Year	8 Year
Time-weighted rates of return						
Short-term fixed income	2.8	2.2	3.0	2.8	2.7	4.0
Scotia Capital 91-Day T-Bill Index	*2.6*	*2.3*	*2.9*	*2.5*	*2.6*	*3.7*
Long-term fixed income	13.8	10.4	9.4	11.9	11.4	8.2
Scotia Capital Long Term Bond Index	*13.8*	*10.3*	*9.1*	*11.1*	*11.0*	*8.7*
Real rate of return bonds	15.2	17.6	13.5	15.3	15.4	11.2
Scotia Capital Real Return Bond Index	*15.2*	*17.5*	*13.3*	*15.3*	*15.3*	*11.4*
Total fixed income	14.2	13.6	11.1	13.6	13.1	9.2
Fixed Income Index	*14.2*	*13.2*	*10.6*	*12.4*	*12.6*	*9.1*
Canadian equities	24.4	14.9	26.4	(12.0)	12.3	8.7
Canadian Equity Index (1)	*23.7*	*14.9*	*26.7*	*(12.4)*	*12.1*	*8.4*
United States equities	2.3	4.0	7.8	(22.5)	(2.9)	1.9
US Equity Index (2)	*2.1*	*3.3*	*5.3*	*(22.9)*	*(3.6)*	*2.3*
Europe, Australasia and Far East	11.8	11.7	14.3	(15.8)	4.7	5.7
MSCI EAFE Index	*10.0*	*12.0*	*13.4*	*(16.8)*	*3.8*	*3.6*
Emerging Markets	30.4	20.1	25.1	(6.0)	16.5	n/a
MSCI Emerging Markets Free Index	*30.3*	*17.3*	*27.8*	*(7.0)*	*16.1*	*n/a*
Total foreign equities	9.0	8.9	12.3	(18.0)	2.3	4.6
Foreign Equity Index (3)	*7.9*	*8.9*	*10.7*	*(18.9)*	*1.4*	*3.8*
Alternative investments	18.3	4.5	n/a	n/a	n/a	n/a
CPI plus 6%	*8.7*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Real Estate	29.9	n/a	n/a	n/a	n/a	n/a
IPD Large All Property Index	*20.5*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Overall	14.4	11.7	15.0	(6.3)	8.3	6.9
Policy Benchmark	13.5	11.6	14.0	(7.1)	7.7	6.4

(1) S&P/TSX Capped Composite and Nesbitt Burns Small Cap indices.

(2) S&P 500 and Russell 2500 indices.

(3) S&P 500 Russell 2500, MSCI EAFE and MSCI Emerging Markets Free indices



SCHEDULE B
SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES

As at December 31

	Plan's Share	
	2005	2004
	($ thousands)	
Deposits and Short-term Securities	$ 14,747	$ 14,242
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	300,740	320,215
Provincial, direct and guaranteed	176,369	157,149
Municipal	13,303	12,534
Corporate	119,671	78,795
	610,083	568,693
Receivable from sale of investments and accrued investment income	3,810	3,447
	$ 628,640	$ 586,382

(a) Fixed income securities held as at December 31, 2005 had an average effective market yield of 3.38% per annum (2004: 3.83%). The following term structure of these securities as at December 31, 2005 was based on principal amount.

	2005	2004
	%	
5 to 10 years	4	4
11 to 20 years	36	26
over 20 years	60	70
	100	100

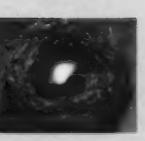
SCHEDULE C
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES

As at December 31

	Plan's Share	
	2005	2004
	($ thousands)	
Deposits and Short-term Securities	$ 6,764	$ 3,438
Public Equities (a) (b)		
Consumer discretionary	41,030	30,724
Consumer staples	18,098	18,797
Energy	105,364	67,459
Financials	129,172	114,163
Health care	5,542	7,279
Industrials	33,811	31,337
Information technology	19,182	22,538
Materials	60,124	66,513
Telecommunication services	20,539	16,336
Utilities	3,555	2,832
	424,678	377,978
Passive index	910	656
	425,588	378,634
Private Equity Pool	1,851	1,995
Receivable from sale of investments and accrued investment income	7,059	5,001
Liabilities for investment purchases	(378)	(229)
	6,681	4,772
	$ 440,834	$ 388,839

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $181,265,000 (2004 $136,575,000), which were used as underlying securities to support the notional amount of Canadian equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Toronto Stock Exchange S&P/TSX Composite Index.



SCHEDULE D

SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES

As at December 31

	Plan's Share	
	2005	2004
	($ thousands)	
Deposits and Short-term Securities	$ [illegible]	$ 12,808
Public Equities (a) (b)		
Consumer discretionary	[illegible]	47,633
Consumer staples	[illegible]	30,811
Energy	[illegible]	25,650
Financials	[illegible]	71,149
Health care	[illegible]	44,355
Industrials	[illegible]	45,142
Information technology	[illegible]	54,111
Materials	[illegible]	14,446
Telecommunication services	[illegible]	9,868
Utilities	[illegible]	10,554
	[illegible]	353,719
Passive index	[illegible]	-
	[illegible]	353,719
Receivable from sale of investments and accrued investment income	[illegible]	2,947
Liabilities for investment purchases	[illegible]	(3,235)
	[illegible]	(288)
	$ [illegible]	$ 366,239

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $324,970,000 (2004 $255,605,000), which were used as underlying securities to support the notional amount of US equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index.

SCHEDULE E

SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES

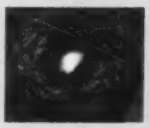
As at December 31

	Plan's Share	
	2005	2004
	($ thousands)	
Deposits and Short-term Securities	$ [illegible]	$ 8,083
Public Equities (a) (b)		
Consumer discretionary	[illegible]	64,174
Consumer staples	[illegible]	26,650
Energy	[illegible]	39,060
Financials	[illegible]	129,042
Health Care	[illegible]	27,254
Industrials	[illegible]	49,083
Information Technology	[illegible]	22,177
Materials	[illegible]	38,014
Telecommunication services	[illegible]	39,183
Utilities	[illegible]	18,726
	[illegible]	453,363
Passive index	[illegible]	26,122
	[illegible]	479,485
Receivable from sale of investments and accrued investment income	[illegible]	6,884
Liabilities for investment purchases	[illegible]	(1,782)
	[illegible]	5,102
	$ [illegible]	$ 492,670

	Plan's Share	
	2005	2004
	($ thousands)	
Japan	$ [illegible]	$ 78,791
United Kingdom	[illegible]	103,220
France	[illegible]	39,333
Switzerland	[illegible]	29,195
Germany	[illegible]	30,031
Netherlands	[illegible]	23,657
Australia	[illegible]	20,349
Italy	[illegible]	17,998
Spain	[illegible]	11,546
Korea	[illegible]	10,416
Other	[illegible]	88,827
	$ [illegible]	$ 453,363

(a) The Plan's net investment in non-North American public equities includes the fair value of deposits and floating rate notes, totalling $114,746,000 (2004 $96,087,000), which were used as underlying securities to support the notional amount of non-North American equity index swaps and futures contracts.

(b) The sector classification conforms to the Global Industry Classification Standard followed by the Standard & Poor's S&P 500 Index. The following is a summary of the Plan's share of non-North American public equities by country based on geographic location of stock exchange on which stocks were purchased:



SCHEDULE F

SCHEDULE OF INVESTMENTS IN REAL ESTATE

As at December 31

	Plan's Share	
	2005	2004
	($ thousands)	
Deposits and Short-term Securities	$ 11	$ 5
Real Estate (a)		
Office	41,568	22,751
Retail	27,724	16,338
Industrial	8,288	3,589
Residential	3,804	2,205
	81,384	44,883
Passive index	1,835	567
Receivable from sale of investments and accrued investment income	174	64
	$ 83,404	**$ 45,519**

(a) The following is a summary of the Plan's investment in real estate by geographic locations:

	Plan's Share	
	2005	2004
	($ thousands)	
Ontario	$ 50,480	$ 29,097
Alberta	22,110	9,950
Quebec	7,263	5,055
British Columbia	1,531	781
	$ 81,384	**$ 44,883**

GLOSSARY – TERMS

ACTIVE MANAGEMENT
Active management of assets generally takes two forms - security selection or market timing. Security selection is the buying and selling of particular securities to earn a return above a market index such as the S&P 500 for US stocks. Market timing refers to changing asset class weights to earn a return above what would be available from maintaining the asset class weights in the policy asset mix.

ACTIVE MEMBER
A member who is making contributions or, if not making contributions, is on non-contributory leave, on approved disability leave, or has maximum pensionable service (35 years).

ASSET MIX
The percentage of a plan's assets allocated to the major asset classes (for example, 35.0% fixed income and 65.0% equities).

BENCHMARK
A standard such as the S&P 500, against which performance is measured. For the purposes of this Report, benchmarks are established return indices (listed in percentages) used to measure the Fund's relative investment returns.

BOND
A promissory note issued by a company or government which bears a fixed maturity date and a rate of interest.

DEFERRED MEMBER
A member who is no longer employed by a Plan employer, has left his/her contributions in the Plan, and has a right to a deferred pension.

EMERGING MARKET
An economy in the earlier stages of development whose markets have sufficient size and liquidity and are receptive to foreign investment. Examples include China, Greece, and Brazil.

EQUITY
Stock; the ownership interest in a company.

EXTERNAL MANAGER
A third-party firm contracted by the Investment Manager to provide investment management services.

IPD LARGE INSTITUTIONAL ALL PROPERTY INDEX
An index published by Investment Property Databank Ltd. under contract with the Canadian Institute of Real Estate Investment Managers that measures the total return on a diversified pool of properties held by six large Canadian institutional real estate funds. The IPD Large Institutional All Property Index is used in place of the dis-continued Russell Canadian Property Index.

LARGE CAP
Investment in larger capitalized firms. Within Canada, companies with a market capitalization of greater than 0.15% of the total Toronto Stock Exchange market capitalization.

PASSIVE MANAGEMENT
Passive management involves investing to replicate the performance of a given market index such as the S&P/TSX (Capped) for Canadian stocks.

POLICY BENCHMARK
The Policy Benchmark is a composite return based on the percentage of a pension plan's fund allocated by policy to each asset class and the market index return for that class. It is used to measure the plan's relative performance.

PRIVATE INCOME
This pool includes investments in tangible, long-life infrastructure assets that are used to provide essential services, and related financial instruments. It may also include participation in bridge loans and corporate finance arrangements. Infrastructure investments typically have high operating margins and predictable cashflows.

REAL RETURN BOND
A marketable bond that pays semi-annual interest based on a real interest rate, i.e., a rate adjusted for changes in the consumer price index (Canada).

SMALL CAP
Investment in smaller capitalized firms. Within Canada, companies with a market capitalization of up to 0.15% of the Toronto Stock Exchange market capitalization.

STATEMENT OF INVESTMENT POLICIES AND GOALS
A comprehensive statement by the Board outlining the asset mix of the Fund, the allowable range for each asset class and the benchmarks for measuring performance.

SWAP (STRUCTURED INVESTMENT)
An agreement to exchange certain securities, usually future cash flows, on certain dates in the future. The size of these cashflows is normally determined in relation to a nominal, underlying amount, called the notional amount. The underlying security, representing the notional amount in a non-leveraged account, is not exchanged between counterparties.

T-BILL
A short-term government security.

TIMBERLAND
This pool includes investments in privately-owned woodlands consisting of both hardwood and softwood species, and related financial instruments. Responsibly-managed timberlands are a renewable and sustainable resource that provides diversification, low volatility, inflation sensitivity, and a yield component of total returns.

TOTAL RETURN
Interest income plus price increases or decreases.

Glossary – Terms continued

UNFUNDED LIABILITY
An unfunded liability exists when the actuarial valuation determines that the Fund's accrued liabilities exceed the net assets available for the payment of benefits.

YMPE (YEAR'S MAXIMUM PENSIONABLE EARNINGS)
The maximum earnings set each year by the Canada Pension Plan (CPP) on which you are required to make CPP contributions. The Average YMPE is the annual average of the YMPE over the same period as your highest average salary.

The YMPE for recent years is shown below:

2001	$ 38,300	2004	$ 40,500
2002	$ 39,100	2005	$ 41,100
2003	$ 39,900	2006	$ 42,100

GLOSSARY – INDICES

CONSUMER PRICE INDEX (CPI)
Measures the relative prices at various times of a selected basket of goods and services.

FRANK RUSSELL MEDIAN MANAGER
A reference point for measuring performance. Frank Russell Canada Limited conducts surveys of balanced fund managers on a quarterly basis to create the Frank Russell universe. From this universe, Frank Russell determines the median (or middle-ranked) manager.

Related Terms: Frank Russell Canada Limited is an independent performance measurement firm that measures the relative performance of investment managers. A balanced fund is an investment portfolio with a mix of bonds, preferred stocks, and common stocks designed to conserve the investor's initial principal, pay current income, and achieve long term growth.

MSCI EAFE INDEX (MORGAN STANLEY CAPITAL INTERNATIONAL – EUROPE, AUSTRALASIA, AND THE FAR EAST)
The MSCI EAFE Index is an international stock index that was developed in 1969 by Morgan Stanley Capital International to track changes in the equity markets of developed countries outside North America. The Index includes 21 nations. Stocks are selected for the MSCI EAFE based on their countries of origin and their standing within their individual industry group.

MSCI EMF INDEX (MORGAN STANLEY CAPITAL INTERNATIONAL – EMERGING MARKET FREE)
The MSCI Emerging Markets Free Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The Index is calculated on a total return basis, which includes re-investment of gross dividends before deduction of withholding taxes. As of December 2003 the MSCI Emerging Markets Free Index consisted of 26 emerging market country indices.

NESBITT BURNS SMALL CAP WEIGHTED INDEX
An index maintained by Nesbitt Burns that measures the total return of small and mid-sized publicly traded Canadian companies.

RUSSELL CANADIAN PROPERTY INDEX
Measures the total return attributable to Canadian commercial real estate. Maintained by Frank Russell, the Index is compiled and reported every three months.

S&P/TSX (CAPPED)
An index maintained by the S&P/TSX Canadian Index Policy Committee that measures the total return of the largest companies that trade on the Toronto Stock Exchange. In the S&P/TSX (capped), a single company's weight in the Index is capped at 10.0%.

SCOTIACAPITAL MARKETS 91-DAY T-BILL INDEX
Measures the total return attributable to 91-Day T-bills. Maintained by ScotiaCapital.

SCOTIACAPITAL MARKETS LONG BOND INDEX
Measures the total return attributable to bonds. Maintained by ScotiaCapital and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB).

SCOTIA CAPITAL MARKETS REAL RETURN BOND INDEX
Measures the total return attributable to real return bonds (bonds whose return is linked to an inflation index).

SCOTIACAPITAL MARKETS UNIVERSE BOND INDEX
Measures the total return attributable to bonds. Maintained by ScotiaCapital and includes representative bond issues by issuer (Federal, Provincial, Municipal, and Corporate), by quality (AAA, AA, A, and BBB), and term (short-, mid-, and long-).

STANDARD & POOR'S 500 INDEX
The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of US equity performance.

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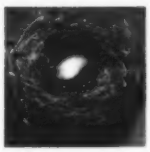

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